Appendix A:
Valuation Analysis – Non-Compete Provisions

Valuation Analysis – Non-Compete Provisions

- A non-compete agreement is essentially an agreement between two parties whereby one party agrees not to enter into (or consult with) a business venture in competition with the existing business. In certain transactions, covenants have significant economic value to the beneficiary party. To determine if a non-compete agreement has economic value, four factors must be considered:

  1) The ability of the party agreeing not to compete effectively with the beneficiary party from the activity in question, by virtue of the technical knowledge and business experience of the party agreeing not to compete;

  2) The feasibility, in view of the activity and market in question, of effective competition by the beneficiary party within the time and area specified in the agreement;

  3) The financial ability of the party agreeing not to compete with the beneficiary party and to impair the beneficiary party's financial performance; and,

  4) The intent of the party agreeing not to compete to compete with the beneficiary party in the absence of the covenant.

- The value of a non-compete agreement is the benefit derived from the protection against the expected loss in profits and related cash flows as a direct result of the covenant. A reasonable value can be placed on a non-compete agreement by quantifying the value of the firm's projected cash flow generation capacity over the term of the covenant with the agreement in place as compared to without the agreement in place. The difference in the cash flow streams (i.e., with and without competition), discounted to a present value at a reasonable discount rate, represents the estimated fair value of the non-compete agreement.

- If the Arrangement were not in place, V&S would be free to compete with the Hospital, resulting in an expected economic loss of cash flows for the Hospital. Therefore, we estimated the value of the payments under the Arrangement for the non-compete provisions as the present value of the cash flows that would be lost if V&S were to compete with the Hospital for diagnostic imaging services.

- From V&S' perspective, the value of the non-compete provisions of the Arrangement represented the opportunity cost of foregoing the opportunity of competing for the diagnostic imaging services.

Valuation Analysis – Non-Compete Provisions (cont.)

Hospital's Perspective

Demand Analysis

- In order to estimate the expected economic loss of cash flows for the Hospital if V&S was in competition, we began by considering the demand for diagnostic services related to the Equipment, as well as other diagnostic imaging services V&S was considering offering, including CT and MRI. We included CT and MRI because the Hospital had the right of first refusal with regard to these types of service lines and expressed it would exercise that right.

- We considered the needs for Nuclear Medicine, CT, and MRI services for the service area based on procedure utilization data per 1,000 population data. These statistics were applied to our population estimates for McKean County for the five-year projection period. We used the population of McKean County from 2003 census data and decreased it by 0.5 percent per year based on analysis of historical growth in McKean County.

- The procedure volume for each modality per 1,000 population is presented below as well as the procedures demanded based on the procedure volume per 1,000 population and the estimated population for McKean County.

- Because our needs analysis resulted in volume estimates very close to historical volume, we ultimately elected to base our analysis on actual historical volume. Please see Exhibits 3-5 for further detail of our analysis. A summary is provided below:

Selected Needs per 1,000

	Selected Value Year 1 (2004)
Nuclear Medicine	102
CT Imaging	90
MRI Imaging	42

Imaging Needs for BRMC Service Area

	Year 1	Year 2	Year 3	Year 4	Year 5
Nuclear Medicine	4,550	4,528	4,505	4,483	4,460
CT	4,015	3,995	3,975	3,955	3,936
MRI	1,874	1,864	1,855	1,846	1,837

Valuation Analysis – Non-Compete Provisions (cont.)

Revenue Projection – Nuclear Med

- Using the five-year projection of procedures for Nuclear Medine, we applied an estimated case mix for nuclear medicine services based on information provided by the Hospital and V&S for the most commonly utilized CPT codes to arrive at an estimate of volume for each CPT. The CPTs and their estimated relative weights and first year volumes are presented below.
- To estimate potential total revenue from nuclear medicine procedures, we multiplied the estimated CPT volumes by an estimate of reimbursement per CPT and summed those values. The estimated reimbursement per CPT in year 1 of the projection period as well as the total revenue numbers for each year of the projection period is presented below.
- To estimate the reimbursement per CPT we used the Hospital's payor mix to estimate the Hospital's weighted average reimbursement as a percentage of Medicare reimbursement. We then multiplied that percentage by the reimbursement rates Medicare allowed for the specific CPTs in 2003. Reimbursement amounts were adjusted for inflation (2.5%). For further detail of our analysis, see Exhibit 6.

Total Net Revenue - Nuclear Medicine

Year 1	Year 2	Year 3	Year 4	Year 5
$882,961	$900,377	$918,222	$937,028	$955,759

		Year 1		
CPT	Case Mix	Volume	Reimbursement	Revenue
78010	1.0%	46	$186	$8,575
78223	2.0%	91	200	18,195
78305	2.0%	91	186	16,881
78306	7.5%	341	186	63,257
78315	2.0%	91	200	18,195
78320	1.0%	46	186	8,533
78465	27.5%	1,251	304	380,571
78473	1.0%	46	304	13,994
78478	27.5%	1,251	138	172,781
78480	27.5%	1,251	138	172,781
78805	1.0%	46	200	9,198
		4,550		$882,961

Valuation Analysis – Non-Compete Provisions (cont.)

Revenue Projection – Stress Tests

- Stress test volume was estimated as 26 percent of projected nuclear medicine procedures based on historical data provided by the Hospital and V&S. This analysis and the projected volumes are presented below.
- We used the same methodology as was used for Nuclear Medicine to determine revenue per procedure. The resulting revenue per stress test in year 1 of the projection was approximately $75. The revenue per procedure was applied to the yearly volumes to determine total net revenue for stress tests. Our estimates of total net revenue for the projection period are presented below. For further detail of our analysis, see Exhibit 6.

	Fiscal	Projection Period				
	2002	Year 1	Year 2	Year 3	Year 4	Year 5
Nuclear Med Volume	4,646					
Stress Test Volume	1,214	1,183	1,177	1,171	1,166	1,160

Total Net Revenue - Stress Tests				
Year 1	Year 2	Year 3	Year 4	Year 5
$88,632	$90,387	$92,175	$94,076	$95,932

Valuation Analysis – Non-Compete Provisions (cont.)

Revenue Projection – CT

- Our analysis for CT was similar to that of Nuclear Medicine. We used volume projections presented earlier as well as the data that follows to estimate revenue for CT.
- We estimated the case mix for CT based on information provided by the Hospital (presented below).
- Reimbursement per procedure for CT was calculated in the same manner as was done for Nuclear Medicine. The estimated volumes, reimbursement rates, and total revenue for year 1 of the projection period are presented below. The estimated total revenue per year for the projection period is also presented below. For a complete presentation of our analysis, see Exhibit 6.

		Year 1		
	Case Mix	Volume	Reimbursement	Revenue
With Contrast	55.0%	2,208	$210	$463,431
Without Contrast	35.0%	1,405	160	225,130
With and Without Contrast	10.0%	402	250	100,522
		4,015		789,082

Total Net Revenue - CT

Year 1	Year 2	Year 3	Year 4	Year 5
$789,082	$804,781	$820,771	$837,057	$854,054

Valuation Analysis – Non-Compete Provisions (cont.)

Revenue Projection – MRI

- Our analysis for MRI was similar to that of Nuclear Medicine. We used volume projections presented earlier as well as the data that follows to estimate revenue for MRI.
- We estimated the case mix for MRI based on information provided by the Hospital (presented below).
- Reimbursement per procedure for MRI was calculated in the same manner as was done for Nuclear Medicine. The estimated volumes, reimbursement rates, and total revenue for year 1 of the projection period are presented below. The estimated total revenue per year for the projection period is also presented below. For a complete presentation of our analysis, see Exhibit 6.

		Year 1		
	Case Mix	Volume	Reimbursement	Revenue
With Contrast	5.0%	94	$337	$31,694
Without Contrast	75.0%	1,406	307	432,165
With and Without Contrast	20.0%	375	431	161,471
		1,874		625,330

Total Net Revenue - MRI				
Year 1	Year 2	Year 3	Year 4	Year 5
$625,330	$637,214	$649,979	$662,952	$676,200

Valuation Analysis – Non-Compete Provisions (cont.)

Expense Projection

- The next step of our analysis was to estimate expenses related to the three modalities.
- In order to estimate variable and fixed operating expenses associated with the imaging services, we relied on operating expense data provided by V&S and the Hospital. Based on the data from the different sources, we chose ratios of variable and fixed expenses to revenue for each of the modalities. To check for reasonableness, we looked at data from the Medical Group Management Association and Solucient. Stress test expenses were assumed to be built into the nuclear medicine modality. For further detail, see Exhibit 6.

	NM Selected Expense Ratios	CT Selected Expense Ratios	MRI Selected Expense Ratios
Fixed	51.8%	43.4%	38.7%
Variable	21.5%	9.5%	6.7%
Total	73.3%	52.9%	45.4%

	Solucient 25th Percentile	Solucient 50th Percentile	MGMA 25th Percentile	MGMA 50th Percentile
Fixed Expense as a % of Revenue - Nuclear Med	43%	60%		
Variable Expense as a % of Revenue - Nuclear Med	27%	51%		
Total Operating Expense as a % of Revenue - Nuclear Med	70%	111%	55%	72%
Fixed Expense as a % of Revenue - CT	17%	24%		
Variable Expense as a % of Revenue - CT	9%	14%		
Total Operating Expense as a % of Revenue - CT	26%	37%	55%	72%
Fixed Expense as a % of Revenue - MRI	21%	32%		
Variable Expense as a % of Revenue - MRI	10%	16%		
Total Operating Expense as a % of Revenue - MRI	31%	48%	55%	72%

Valuation Analysis – Non-Compete Provisions (cont.)

Cash Flow Analysis

- We utilized the revenue and operating expense projections for all modalities along with estimates for depreciation, capital expenditures, and changes in working capital requirements to model the expected cash flows for the Hospital with the covenant not to compete in place. See Exhibit 8 for further detail of our analysis.
- We then modeled potential cash flows for the Hospital without the covenant not to compete. Revenues and variable expenses were adjusted for the projected revenue lost to V&S. We assumed V&S entered the MRI and CT service lines at the start of the projection period. See Exhibit 9 for further detail of our analysis.
- Potential cash flows for the Hospital without the covenant not to compete were subtracted from the potential cash flows for the Hospital with the covenant not to compete and discounted to present value using a discount rate estimated from the Hospital's weighted average cost of capital with a premium added for the additional risk associated with an intangible asset such as a covenant not to compete. An amortization benefit was added to the discounted cash flows to arrive at an estimate of fair value for the covenant not to compete. See Exhibit 9 for further detail of our analysis, a summary is presented below.
- Year 6 was added to reflect the additional period of time after the covenant not to compete expires for which the Hospital will receive additional benefit while V&S could attempt to enter the market.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Debt Free Cash Flow With	488,819	606,241	541,397	504,508	520,722	497,163
Debt Free Cash Flow Without	(108,261)	(3,126)	(80,121)	(129,480)	(126,043)	(165,924)
Difference	**597,080**	**609,367**	**621,518**	**633,988**	**646,765**	**663,086**
Present Value of Difference	**$559,216**	**$500,635**	**$447,911**	**$400,788**	**$358,653**	**$322,547**

Sum of Present Value of Cash Flow	**$2,589,751**
Probability of Competition	100.0%
Preliminary Value of Non-Compete	2,589,751
Plus: Amortization Benefit	574,034
Fair Value of Non-Compete	**$3,163,785**

Valuation Analysis – Non-Compete Provisions (cont.)

Cash Flow Analysis - Summary

- The table below presents the value of the non-compete provisions of the Arrangement compared to the value of the actual payment stream made under the Arrangement for the non-compete provisions (See Exhibit 10).

Preliminary Value of Non-Compete Provisions	**$3,163,785**
Present Value of Non-Compete Portion of Lease Payments	**1,016,621**
Difference	**$2,147,164**

- The non-compete provisions of the Arrangement had an indicated value in excess of $3 million from the Hospital's perspective.
- The indicated value of the non-compete provisions of the Arrangement exceed the value of the actual non-compete entered into as part of the Arrangement by $2.1 million.
- The present value of the actual non-compete payments made under the Arrangement did not exceed the fair market value of the non-compete provisions of the Arrangement.

Valuation Analysis – Non-Compete Provisions (cont.)

V&S Perspective

- From the V&S' perspective, the present value of the cash flow stream provided by the non-compete portion of the lease payments represented a 4.4 multiple of the previous year's estimated Earnings Before Interest, Tax, Depreciation, and Amortization ("EBITDA") from Nuclear Medicine and Stress Test modalities, or what could be referred to as the opportunity cost going forward to V&S of entering the Arrangement.
- We estimated depreciation based on our calculation of the GE camera new and 5-year straight line depreciation with a $20,000 salvage value.
- An EBITDA multiple is a common valuation tool to check the reasonableness of a deal of this sort. In my opinion, the EBITDA multiple of 4.4 is reasonable, especially in light of this being a new business with continued growth prospects, and the additional restriction placed on CT and MRI modalities by the covenant not to compete.
- Refer to Exhibit 11 for transaction data that illustrates comparable EBITDA multiples.

V&S Fiscal 2002 Data

Nuclear Medicine Procedures	2,281
Stress Test Procedures	693
Total Revenue	$586,440
Expenses	405,456
Net Income	$180,984
Estimated Depreciation & Amortization	48,000
Estimated EBITDA	$228,984
Present Value of Non-Compete Portion of Lease Payments	$1,016,621
Implied Multiple of 2002 EBITDA	4.4x

Appendix B: Valuation Analysis - Equipment

Valuation Analysis – GE Equipment

Cost Approach

- In order to estimate a fair market value for the GE Equipment, we first analyzed the GE Equipment and related system on a cost approach basis.
- The first step in applying the cost approach is the estimation of a cost new for the GE Equipment. The cost new is an estimate of replacing the GE Equipment with an asset of like or similar composition and utility.
- Second, the estimated loss in value resulting from all forms of obsolescence including physical, functional, and economic are subtracted from the cost new to determine a cost new less depreciation, or fair market value via the cost approach.
- The cost new is developed by using a starting point of the historical acquisition cost of approximately $258,000. To estimate the cost new we utilized inflationary measures in the Producer Price Indices published by the U.S. Bureau of Labor Statistics. The cost new was calculated by multiplying the historical cost by the appropriate trend factor associated with the assets' age.
- After determining the cost new for the subject assets, the next step was to estimate physical deterioration, or the loss in value caused by wear and tear that reduces asset life and serviceability. We estimated this form of depreciation by estimating a depreciation factor using a straight line, or age/life, depreciation curve.

Valuation Analysis – GE Equipment

Cost Approach

- In order to determine a depreciation factor, we first estimated useful life information of the assets based on discussions with hospital personnel and other knowledgeable persons that are familiar with the expected normal useful lives of the assets.

- The next step in the cost approach is to make an estimation of any functional obsolescence associated with the assets. Functional obsolescence is related to the inefficiencies or inadequacies inherent in the equipment. Economic obsolescence is a loss in value of the property caused by economic forces such as changes in the supply/demand relationship, legislative enactment, and other external factors that impact the value of the assets.

  1) Based upon our conversations with knowledgeable personnel, including medical equipment resellers, in October of 2003 the GE Equipment did not suffer from the effects of functional obsolescence, and therefore we have deemed adjustments for this to be unnecessary.

  2) Economic obsolescence was considered but also deemed not necessary.

- The results of our cost approach analysis resulted in a fair market value estimate for the assets of approximately $170,000.

Valuation Analysis – GE Equipment

Income Approach

- The second analysis we performed was to calculate the net present value of the remaining contractual lease payments and the estimated residual value of the GE Equipment at the end of the lease term.
- The lease on the GE Equipment commenced in June 2001 and was for a 63 month term. The first payment was made in September 2001. According to lease documents provided to us, the payment for the GE Equipment was $4,890 per month, or $58,680 per year.
- Based upon the contractual terms of the lease, there were 36 monthly payments remaining in October 2003.
- In order to estimate a residual value for the GE Equipment as of the end of the lease, we contacted knowledgeable used equipment vendors who were familiar with the subject assets. Based upon our conversations with them, we have estimated a residual value of approximately $20,000 at the end of the remaining lease term.
- We then calculated the net present value of the remaining lease payments and the residual value of the GE Equipment using three different discount rates. These rates were based upon (A) the estimated debt component of the weighted average cost of capital estimated for the intangibles of 8.64%; (B) the interest rate of 9.45% inferred from notes in the original bid document provided to V&S by GE Medical; and (C) the weighted average cost of capital estimated for the intangibles of 12.0%. Discounting the remaining lease payments of $58,680 per year for the first two remaining years of the lease and the total of the $58,680 plus the $20,000 estimated residual value of the GE Equipment for the third year resulted in a range of fair market value estimates from $160,000 to $170,000 as shown on the following page.

Valuation Analysis – GE Equipment

Income Approach

- Based upon the preceding analyses, the fair market value of the GE Equipment via the cost approach and the net present value of the remaining lease payments and the residual value of the GE Equipment using three different discount rates are consistent.

Scenario Using Debt Portion of WACC as Discount Rate	
Discount Rate	8.6%
Remaining Payments	
Year 1	$58,680
Year 2	$58,680
Year 3 (lease payments plus residual)	$78,680
Year	**PV Calculation**
1	$54,013
2	$49,718
3	$61,361
NPV	**$165,092**
NPV (Rounded)	**$170,000**

Scenario Using Interest Rate from GE Documents as Discount Rate	
Discount Rate	9.5%
Remaining Payments	
Year 1	$58,680
Year 2	$58,680
Year 3 (lease payments plus residual)	$78,680
Year	**PV Calculation**
1	$53,614
2	$48,984
3	$60,009
NPV	**$162,607**
NPV (Rounded)	**$160,000**

Scenario Using WACC as Discount Rate	
Discount Rate	12.0%
Remaining Payments	
Year 1	$58,680
Year 2	$58,680
Year 3 (lease payments plus residual)	$78,680
Year	**PV Calculation**
1	$52,393
2	$46,779
3	$56,003
NPV	**$155,175**
NPV (Rounded)	**$160,000**

Valuation Analysis – Philips Equipment

- The same set of income approach procedures were performed in order to analyze the Philips Equipment system. The cost approach is not necessary due to the fact that the Philips Equipment was new in April, 2004. Per lease documents we were provided, the cost new of the Philips Equipment was approximately $266,000.
- The second analysis we performed was to calculate the net present value of the remaining contractual lease payments and the estimated residual value of the Philips Equipment at the end of the lease term.
- The lease on the Philips Equipment commenced in April 2004 and was for a 60 month term. According to lease documents provided to us, the payment for the Philips Equipment was $4,494.77 per month, or $53,937.24 per year.
- Based upon the contractual terms of the lease, there were 60 monthly payments remaining in April 2004.
- In order to estimate a residual value for the Philips Equipment as of the end of the lease, we contacted knowledgeable used equipment vendors who were familiar with the subject assets. Based upon our conversations with them, we have estimated a residual value of approximately $90,000 at the end of the remaining lease term.
- We then calculated the net present value of the remaining lease payments and the residual value of the Philips Equipment using three different discount rates. These rates were based upon (A) the estimated debt component of the weighted average cost of capital estimated for the intangibles of 8.64%; (B) the interest rate of 9.45% inferred from notes in the original bid document provided to V&S by GE Medical; and (C) the weighted average cost of capital estimated for the intangibles of 12.0%. Discounting the remaining lease payments of $ 53,937.24 per year for the first four remaining years of the lease and the total of the $58,680 plus the $20,000 estimated residual value of the equipment for the third year resulted in a range of fair market value estimates from $250,000 to $270,000 as shown on the following page.

Valuation Analysis – Philips Equipment

Income Approach

- Based upon our analyses, the fair market value of the Philips Equipment via the cost approach and the net present value of the remaining lease payments and the residual value of the Philips Equipment using three different discount rates are consistent.

Scenario Using Debt Portion of WACC as Discount Rate	
Discount Rate	8.6%
Remaining Payments	
Year 1	$53,937.24
Year 2	$53,937.24
Year 3	$53,937.24
Year 4	$53,937.24
Year 5 (lease payments plus residual)	$143,937
Year	**PV Calculation**
1	$49,648
2	$45,699
3	$42,065
4	$38,719
5	$95,110
NPV	**$271,241**
NPV (Rounded)	**$270,000**

Scenario Using Interest Rate from GE Documents as Discount Rate	
Discount Rate	9.5%
Remaining Payments	
Year 1	$53,937.24
Year 2	$53,937.24
Year 3	$53,937.24
Year 4	$53,937.24
Year 5 (lease payments plus residual)	$143,937
Year	**PV Calculation**
1	$49,280
2	$45,025
3	$41,138
4	$37,586
5	$91,642
NPV	**$264,671**
NPV (Rounded)	**$260,000**

Scenario Using WACC as Discount Rate	
Discount Rate	12.0%
Remaining Payments	
Year 1	$53,937.24
Year 2	$53,937.24
Year 3	$53,937.24
Year 4	$53,937.24
Year 5 (lease payments plus residual)	$143,937
Year	**PV Calculation**
1	$48,158
2	$42,998
3	$38,391
4	$34,278
5	$81,674
NPV	**$245,500**
NPV (Rounded)	**$250,000**

Appendix C: Valuation Analysis - Interim Payments

Interim Payments

- We understand that the Hospital and V&S agreed that it was intended for the GE Equipment to be relocated to the Hospital's campus subsequent to the signing of the sublease.
- Further, we understand that the Hospital elected to upgrade the GE Equipment pursuant to the provisions under the sublease, but there was an unexpected delay in obtaining the Philips Equipment.
- Therefore, the Hospital and V&S agreed upon a temporary arrangement whereby the following occurred:
  1) The GE Equipment remained onsite at V&S' office for a period of approximately 9 months;
  2) The Hospital paid V&S an agreed upon amount for retaining the GE Equipment onsite in addition to the other payments being made under the Arrangement; and,
  3) The additional payment included rent for the space in which the GE Equipment was being utilized, a 10 percent administrative fee, and other miscellaneous pass through costs.
- We performed additional valuation analyses related to the payments being made by the Hospital to V&S as part of the temporary arrangement, in addition to the payments made under the Arrangement.
- We understand that the Hospital also paid V&S certain costs incurred related to billing, secretarial, internet access, laundry, and telephone. We also understand that these were direct costs incurred by V&S and were billed as pass-through expenses in addition to the rent expense.

Real Estate Rent

- For the real estate rent component of the interim payment, we have assessed the reasonableness of rent expense for the space in the building owned by V&S that was dedicated to the camera and supporting areas during the time period between October 2003 and June 2004.
- According to the Physicians, the total of the leased space was approximately 2,500 square feet, and included a room where the camera system itself was situated and additional supporting areas such as dressing rooms, administrative space, and a waiting room area. The rent paid for the space was $2,500 per month, or $12 per square foot per year.
- In order to assess the reasonableness of the rental payments, we performed the following:

  1) Researched all the relevant websites such as RealQuest, CoStar, Loopnet, REIS, and RealCapitalAnalytics to find transactions or listings in between October 2003 and June 2004 that would provide some gauge for the rental rates for the medical/office building in Bradford during that time;
  2) Researched community newspapers such as 'Bradford Era' via Nexis and Bradford Public Library for real estate classified ads;
  3) Performed a 'top-down' approach for both net and gross rents. For net rents, we adjusted downwards (not discounted for time) the current rental rate for the medical/office space similar to the subject in the Bradford area by the average growth rate of office buildings in the closest Proxy-markets. To make sure that the average growth rate was close to the actual rate in the Bradford area, we compared that average growth rate to our expectations based on our research and our conversations with the brokers about the market fundamentals from 2003 to-date. For gross rent, we adjust for any growth rate for market changes and also the inflation rate for the operating expenses; and.
  4) Held conversations with brokers in the Bradford area in order to get both current and retrospective rental rate quotes for properties similar to the subject property owned by V&S.

Real Estate Rent

- Data for the closest proxy markets - Buffalo, NY (80 miles); Rochester, NY (140 miles) and Pittsburgh, PA (160 miles) – were acquired from REIS for the Class B/C office (medical office not specified) markets since 2003 to the present date. Other than the distance, we also looked at the magnitude of the average asking rental rates in these markets to make sure that they are in-line with the Bradford market. The following is the summary of our research for the proxy markets:

	ASKING RENTS – (NNN)			
	2003	2008	$ change	% change
Buffalo, NY	$13.47	$13.48	$0.01	0.07%
Pittsburgh, PA	$16.32	$16.07	($0.25)	-1.53%
Rochester, NY	$13.16	$13.44	$0.28	2.13%
Average	$14.32	$14.33	$0.01	0.09%
Median	$13.47	$13.48	$0.01	0.07%

- Based on the above analysis of the proxy markets, the rental rates in markets surrounding the subject area have not really changed since 2003. This date confirms our expectations about the Bradford market, based on our research and our conversations with the brokers as shown below.

- According to the brokers that we had an opportunity to speak with and who were also well-versed with the commercial/office/medical spaces in the Bradford area, the 'NNN or Net rents' have basically stayed the same since 2003 because the market fundamentals for the office space in the Bradford area have stayed the same except for the last few months where the commercial markets have shown some weakness due to slow down in the US economy.

Real Estate Rent

- With respect to gross rents, all brokers agreed that recently, all new leases show a considerable hike in the gross rents due to higher costs of fuel, especially given the cold climate of Bradford. They were unable to comment on the percentage increases. We compiled some data from U.S. Department of Labor for items that affects mainly the electricity cost and HVAC system of a typical building as follows:

	Oct-03	Mar-08	$ change	% Change
Electricity per KWH	0.136	0.176	$0.04	29.41%
Utility (piped) gas per British thermal unit	1.144	1.593	$0.45	39.25%
Average				34.33%

- Assuming that the electricity and the heating and air conditioning costs represent approximately 50% of the total operating costs for a typical 2,500 office/medical space, the current full-gross rental rate will be adjusted downwards by 17%(34.33% x 50%) for the electricity and the heating and 7.5%(15% x 50%) for other operating expenses such as janitorial etc, for a blended rate of 25% in aggregate to reflect the increases in operating costs of a typical office building. The 15% growth rate used for other operating expenses represents an approximate average inflation rate of 3% per year for 5 years. Per our conversation with an official in the City Clerk's office in Bradford, the office has been raising the salary/labor costs for new contracts by 3% to 3.5% each year: thus, this is a reasonable proxy for the average inflation per year.
- Our research of current asking rental rates for commercial buildings in the Bradford, PA area and actual executed leases during the time period between October 2003 through June 2004 (adjusted for any increase in operating expenses as necessary) resulted in a range of full service gross rents of $12.00 to $13.46 per square foot.
- Therefore, the full-service gross rental rate of $12.00 per square foot being paid by the Hospital to V&S was deemed commercially reasonable for the time period analyzed.

Administrative Fee Benchmarks

	Count	Mean	10 %ile	25 %ile	Median	75th %ile	90th %ile
Revenue:							
Collections (1)	1266	$ 308,322	$ 116,517	$ 234,603	$ 296,034	$ 362,426	$ 448,582
Operating Cost:							
Patient accounting (2)	35	$ 17,230	$ 8,125	$ 12,931	$ 15,992	$ 21,004	$ 27,132
Billing purchased services (2)	17	$ 5,822	$ 93	$ 553	$ 1,307	$ 4,203	$ 30,324
Postage (3)		$ 4,000	$ 2,511	$ 3,115	$ 4,103	$ 4,856	$ 6,024
Total		$ 27,052	$ 10,729	$ 16,599	$ 21,402	$ 30,063	$ 63,480
Percentage		8.8%	9.2%	7.1%	7.2%	8.3%	14.2%

Sources:
(1) Medical Group Management Associates: Physician Compensation and Production Survey: 2003 Report Based on 2002 Data; Internal Medicine: General
(2) Medical Group Management Associates: Cost Survey for Multispecialty Practices: 2003 Report Based on 2002 Data
(3) Suggested additional cost information estimate from Family Practice Management: http://www.aafp.org/fpm/20040700/ask.html

- According to benchmarks published by Medical Group Management Associates, billing costs as a percentage of collections range from 7.1 percent to 14.2 percent, as shown in the table above.
- Charges for internet, laundry and telephone were pass through expenses equal to costs incurred by V&S.
- Secretarial support was billed based on hourly requirements at a rate of $10 per hour. This rate is only slightly higher than the prevailing minimum wage when the Arrangement was entered into and is not unreasonable.
- Therefore, it is my opinion that the 10 percent billing charge and other miscellaneous pass through costs for the six-month interim period do not appear unreasonable.

Appraisal Assumptions and Limiting Conditions

Appraisal Assumptions and Limiting Conditions

This valuation analysis has been prepared pursuant to the following general assumptions and general limiting conditions:

1. The analyses, advice, recommendations, opinions, or conclusions contained herein are valid only for the indicated purpose.
2. The analyses, advice, recommendations, opinions, or conclusions contained herein are for the exclusive use of the client for the sole and specific purposes noted herein and may not be used for any other purpose by the client or any other party. Furthermore, the analyses, advice, recommendations, opinions, or conclusions are not intended by the author and should not be construed by the reader to be investment advice in any manner whatsoever. The analyses, advice, recommendations, opinions, or conclusions are based on information furnished to it by the client, its representatives, and other sources. Notwithstanding the foregoing, the Client may use the analyses, advice, recommendations, opinions, or conclusions contained herein consistent with the terms and conditions agreed to in the Engagement Letter dated February 28, 2008.
3. Possession of this valuation opinion report, or a copy thereof, does not carry with it the right of publication or distribution to or use by any third party. Any third party that uses the information contained herein does so at its sole risk and agrees to hold Deloitte FAS, its subcontractors, and their respective personnel harmless from any claims resulting from use by any other third party. Access by any third party does not create privity between Deloitte FAS and any third party.
4. No part of the contents of this report (especially the analyses, advice, recommendations, opinions, or conclusions; the identity of any Deloitte FAS personnel, or any reference to any of their professional designations or to Deloitte FAS) should be disseminated to the public through advertising media, public relations, news media, sales media, mail, direct transmittal, or any other means of communication without the prior written consent of Deloitte FAS.
5. No item in this report shall be changed by anyone other than Deloitte FAS, and Deloitte FAS shall have no responsibility for unauthorized changes.
6. Neither Deloitte FAS nor its personnel, by reason of this engagement, is required to furnish a complete valuation report, or to give testimony, or to be in attendance in court with reference to the subject assets, properties, or business interests unless arrangements have been previously made in writing. Notwithstanding the foregoing, the arrangements agreed to in the Engagement Letter dated February 28, 2008 are applicable to this engagement.
7. We conducted interviews with the client or its representatives regarding past, present, and prospective operating results and have assumed that the information gathered in such interviews is accurate and complete.

Appraisal Assumptions and Limiting Conditions

8. Financial statements and related information were provided to us in the course of this engagement by the client or its representatives. We have not audited, reviewed, or compiled any financial information provided to us and, accordingly, we express no audit opinion or any other form of assurance regarding such information.
9. If prospective financial information provided by the client or its representatives has been used in this analysis, we have not examined or compiled the prospective financial information and, therefore, do not express an audit opinion or any other form of assurance on the prospective financial information or the related assumptions. Events and circumstances frequently do not occur as expected and there will usually be differences between prospective financial information and actual results, and those differences may be material.
10. We believe the information obtained from public sources or furnished to us by other sources is reliable. However, we issue no warranty or other form of assurance regarding the accuracy of such information.
11. We assume that the current level of management expertise and effectiveness would continue to be maintained, and that the character and integrity of any subject asset, property, or business interest through any sale, reorganization, exchange, or diminution of the owners' participation would not be materially or significantly changed.
12. Deloitte FAS is not an environmental consultant or auditor, and it takes no responsibility for any actual or potential environmental liabilities. Any person entitled to rely on this report wishing to know whether such liabilities exist, or the scope and their effect on the value of any subject asset, property, or business interest, is encouraged to obtain a professional environmental assessment. Deloitte FAS does not conduct or provide environmental assessments and has not performed one in the course of this engagement.
13. We have not determined independently whether any subject asset, property, or business interest is subject to (1) any present or future liability relating to environmental matters (including, but not limited to, CERCLA/Superfund liability) or (2) the scope of any such liabilities. The analyses, advice, recommendations, opinions, or conclusions contained herein take no such liabilities into account, except as have been reported to us by the client or its representatives or by an environmental consultant working for the client, and then only to the extent that the liability was reported to us in an actual or estimated dollar amount. Such matters, if any, are noted in the analyses, advice, recommendations, opinions, or conclusions contained herein. To the extent such information has been reported to us, we have relied on that information without verification and offer no warranty or representation as to its accuracy or completeness.

Certification by and Qualifications of Expert Witness

Certification

I, James Jordon, CFA, ASA, hereby certify to the best of my knowledge and belief the following statements with respect to the tangible and intangible assets included in this report and identified below:

This certification applies to the non-compete provisions, equipment, and real property mentioned in the accompanying report.

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions (with respect to the elements of this certification, the assignment results, and the contents of the appraisal report for which each is individually responsible).
3. I have no present or prospective interest in the property that is the subject of this report, and have no personal interest with respect to the parties involved.
4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this report.
7. My analyses, opinions, and conclusions were developed, and the valuation components of this report have been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
8. I have satisfied the continuing professional education requirements necessary to maintain my professional designation(s).
9. Because of my background, experience, education, and membership in professional associations, I am qualified to make appraisals of the type of property that is the subject of this report.
10. No person other than the undersigned and my Deloitte FAS engagement team under my direction including: John Boettiger, Scott Pemberton, Kyle LeFevers, John Valenta, Mark Davis, Missy Schrib, Rafiq Lalani, and Tom Kiehl, prepared the analyses, values, or conclusions set forth in this report or provided significant valuation assistance to the person(s) signing this certification.
11. I, and other professionals have made a personal inspection of the real property but not the GE Equipment that is the subject of this report.

By: James H. Jordon

Date: 6/5/2008

James H. Jordon, CFA, ASA

Senior Manager
Deloitte Financial Advisory Services LLP
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E-mail: jjordon@deloitte.com

Profile

Jim Jordon is a Senior Manager in the Houston Financial Advisory Services practice. He has experience in the valuation of businesses, business interests, and intangible assets. He has over 11 years of experience in business valuation across different industries and sizes of companies. Mr. Jordon's client responsibilities include providing project leadership, coordinating and overseeing data gathering and analysis, and preparing and delivering reports and analyses.

Experience

Mr. Jordon has served a variety of healthcare clients including hospitals, hospital districts, large health systems, hospital-owned medical groups, physician-owned medical groups, investor owned-medical groups, managed care organizations, ambulatory surgery centers, hospital-owned laboratories, and independent clinical laboratories.

Mr. Jordon's assignments have included the following:

- assisting parties on all sides of various transactions, transaction structuring, debt capacity analysis, and valuation studies.
- Mr. Jordon has provided valuation services related to intellectual property, federal tax, GAAP, and other regulatory purposes including compliance with Stark, anti-kickback, and fraud and abuse laws.
- He has worked on international valuation assignments involving purchase allocations, impairment testing, and the valuation of private equity portfolios.

James H. Jordon, CFA, ASA

Mr. Jordon has worked with Deloitte FAS project teams providing litigation support, and preparing expert reports, however he has not testified or been deposed in the previous four years.

Prior to joining Deloitte FAS, Mr. Jordon was a Senior Analyst with a Houston-based valuation firm. His previous experience also includes Business Valuation Resources, LLC, in Portland, Oregon, where he was the Managing Editor of *Shannon Pratt's Business Valuation Update*.

Mr. Jordon published numerous articles in his capacity as managing editor described above, but has not published articles within the previous 10 years.

Finally, before entering the field of private equity and business valuation, Mr. Jordon was an investment advisor employed by Bank United Financial Markets and PaineWebber.

Professional Affiliations & Civic Organizations

- Mr. Jordon holds the Accredited Senior Appraiser (ASA) designation as awarded by the American Society of Appraisers.
- Member - American Society of Appraisers.
- Mr. Jordon holds the Chartered Financial Analyst (CFA) designation as awarded by the CFA Institute.
- Member - CFA Institute and Institute of Chartered Financial Analysts.
- Mr. Jordon is the Vice President and Board Member of the CFA Society of Houston.
- Member – Association for Corporate Growth.
- Member – Houston Symphony Society.

Mr. Jordon obtained a B.S. in Finance from Texas A&M University.

James H. Jordon - Recent healthcare experience

- The following table describes multiple recent healthcare client service projects that Mr. Jordon has worked on for different clients:

Client	Project Description
Community Hospital	Fair market value analysis of a multi-year restrictive covenant agreement.
Community Hospitals	Fair market value analysis with respect to physician compensation and/or other agreements between physicians and the Hospital.
Hospital Management Company	Fair market value analysis with respect to several owned hospitals where the Hospital Management Company is considering a joint venture w/ community physicians.
Hospital Management Company	Allocation of purchase price, for Financial Reporting Purposes, with respect to the acquisitions of controlling interests in several hospitals. Purchase price allocations have included valuations of intangible assets in connection with the acquisitions, including customer-based intangibles, contract-based intangibles, and marketing-related intangibles.
Hospital Management Company	Valuation of various physician specialty practices pertaining to the potential acquisition of a medical group, Ambulatory Surgery Center, or Imaging Center and subsequent allocation of purchase price.
Community Hospital	Assisted Community Hospital in their development of a new hospital, including financial, operational, and market analysis. Forecasted financial statements were developed and assessed based on assumptions developed through analysis and management interviews. Capital structure and pro forma operational ratios were also evaluated.
Community Hospital	Deloitte FAS performed a financial review, market assessment, and prepared a detailed analysis which considered the historical and projected financial performance of the hospital, the projected performance of the expansion, the environmental factors (demand, population, competitors, and reimbursement), return on investment, and the overall medical staff support.

Data Received, Reviewed, and/or Relied Upon

Data Received, Reviewed, and/or Relied Upon

Pleadings
- Complaint
- Answer and New Matter (Bradford Regional Medical Center)
- Answer (V&S Medical Associates, LLC)
- Joint Motion to Compel Relators to Answer Deposition Questions and Produce Documents
- Brief in Support of Joint Motion to Compel
- Plaintiff's Response to Defendants' Joint Motion to Compel
- Reply to Plaintiff's Response to Defendants' Joint Motion to Compel

Deposition Transcripts with Exhibits
- George Leonhardt, Rule 30(b)(6) as Corporate Designee of BRMC, dated July 26, 2007; individual capacity, dated April 1, 2008
- Glen Washington, Rule 30(b)(6) as Corporate Designee of BRMC, dated July 26, 2007
- Tina Hannahs, Rule 30(b)(6) as Corporate Designee of BRMC, dated July 26, 2007
- Kamran Saleh, M.D., dated August 9, 2007
- Peter Vaccaro, M.D., dated August 9, 2007
- V. Rao Nadella, M.D., dated August 20, 2007
- Paul B. Kirsch, M.D., dated August 20, 2007
- Martin David Jacobs, M.D., dated August 21, 2007
- Dilbagh Singh, M.D., dated August 21, 2007
- Edward Kabala, Esq., dated April 3, 2008
- Alan Steinberg, Esq., dated April 3, 2008

Bradford Regional Medical Center Documents
- HOSP 0000001-0011563; 0020001-0020771

V&S Medical Associates, LLC Documents
- V&S 260-279, 298, 300-318, 327-330, 346, 370, 375-378, 384-387, 666-673, 679-680, 685-686, 688, 935-975, 1003-1004, 1025-1044, 1051-1063, 1076-1078, 1082, 1555-1557, 1562-1563, 1797-1798, 1810-1812, 1829-1831, 1955-2009, 2038, 2146, 2148, 2150-2155, 3154-3170, 3191-3210, 3319-3321

Data Received, Reviewed, and/or Relied Upon

Information Gathered by Deloitte FAS

- Historical financial data and ratios for Tenet Healthcare, Community Health Systems, Universal Health Services, Health Management Associates, and HealthSouth
- Federal Corporate Tax Rate: http://www.smbiz.com/sbr1001.html
- Pennsylvania Corporate Tax Rate: http://businesstitusville.com/Corporate_Taxes/corporate_taxes.html
- McKean County population statistics: http://recenter.tamu.edu/data/popc/pc42083.htm
- McKean County demographics: http://www.epodunk.com/cgi-bin/popInfo.php?locIndex=14399
- *Utilization of Radiology Services in the United States: Levels and Trends in Modalities, Regions, and Populations* by Mythreyi Bhargavan, PhD and Jonathan H. Sunshine, PhD: http://radiology.rsnajnls.org/cgi/content/full/234/3/824
- Federal Register, Vol. 67, No. 212 / Friday, November 1, 2002 / Rules and Regulations: Addendum B. – Payment Status by HCPCS Code and Related Information
- Federal Register, Volume 72, No. 171, Pg. 51081
- Federal Register Vol. 69., No. 59, Pg. 16093
- Federal Register Vol. 66, No. 3, Pg. 919
- Radnet, Inc. Form 10-K filed 2/18/2003 for the Period Ending 10/31/2002
- Email dated 5/8/2008 from Mike Shanks to Jim Tarasovitch regarding the Hospital's payor mix
- Fax from Horty Springer dated 5/29/2008 regarding the Hospital's reimbursement per procedure for individual payors
- Medical Group Management Associations' Freestanding Diagnostic Imaging Center Performance Survey: 2006 Report based on 2005 and 2004 Data
- Medical Group Management Associates: Cost Survey for Multispecialty Practices: 2003 Report Based on 2002 Data
- Medical Group Management Associates: Physician Compensation and Production Survey: 2003 Report Based on 2002 Data
- Cost data for Nuclear Medicine, CT, and MRI modalities provided by Solucient Action O/I – Fourth Quarter 2004
- REIS, Inc. website – http://www.reis.com
- Real Estate Information: http://www.RealQuest.com
- Real Estate Information: CoStar http://www.costar.com
- Real Estate Information: RealCapitalAnalytics http://www.rcanalytics.com
- Real Estate Information: Loopnet http://www.loopnet.com
- Maps and locations: http://earth.google.com
- Real estate classified ads in community newspapers such as 'Bradford Era' via Nexis and Bradford Public Library
- US Department of Labor Statistics: http://data.bls.gov/cgi-bin/dsrv
- American Hospital Directory: http://www.ahd.com
- Family Practice Management: http://www.aafp.org/fpm/20040700/ask.html
- Quotation #BS0102R1 from GE Medical Systems to Dr. Vaccaro

Data Received, Reviewed, and/or Relied Upon

Individuals Interviewed

- George Leonhardt - Bradford Regional Medical Center
- Jim Tarasovich - Bradford Regional Medical Center
- Tina Hannahs - Bradford Regional Medical Center
- Tim Brown - Bradford Regional Medical Center
- Kamran Saleh, M.D. – V&S Medical Associates LLC
- Peter Vaccaro, M.D. – V&S Medical Associates LLC
- Mark J. Goebe – Real Estate Broker
- John McGary – Real Estate Broker
- Scott Truman – Nuclear Camera Technician
- BC Technical, Inc. – Used Equipment Dealer
- Diagnostix Plus, Inc. – Used Equipment Dealer
- R.E.S. Solutions, Inc. – Used Equipment Dealer
- John Peterson – Bradford, PA City Clerk's office

Exhibits

Exhibit 1
Bradford Regional Medical Center
Valuation Relating to the:
Arrangement with V&S Medical Associates, LLC
As of October 1, 2003

List of Assumptions

Assumption	Value	Description
Weighted Average Cost of Capital	12.0%	Based on weighted average cost of capital analysis for comparable hospital companies
Non-Compete Additional Risk Premium	2.0%	
Discount Rate	14.0%	Weighted Average Cost of Capital plus risk premium for Non-Compete provisions of the Arrangem
Working Capital as a % of Revenue	10.0%	Based on comparable companies' working capital as a percentage of revenue
Probability of Competition	100.0%	Physicians were competing in the market before the non-compete agreement was formed.
Cost Inflation	3.0%	
Revenue Inflation	2.5%	
Hypothetical Tax Rate	41.5%	Blended Federal (35%) and State Tax (10%)
Physician Group's Tax Rate	41.5%	Blended Federal (35%) and State Tax (10%)
Population Growth Rate - Hospital / V&S Service Area	-0.5%	Based on historical data (1980 - 2003). See Exhibit 2.

Exhibit 2
Bradford Regional Medical Center
Valuation Relating to the:
Arrangement with V&S Medical Associates, LLC
As of October 1, 2003

Summary

Non-Compete Provisions	
Preliminary Value of Non-Compete Provisions	$3,163,785
Present Value of Non-Compete Portion of Lease Payments	1,016,621
Difference	$2,147,164

Exhibit 3
Bradford Regional Medical Center
Valuation Relating to the:
Arrangement with V&S Medical Associates, LLC
As of October 1, 2003

Population Statistics - Bradford, PA Area

Year	County	Population[1]	% Change	Average % Change
1980	McKean County	50,635	N/A	N/A
1981	McKean County	50,726	0.2%	0.2%
1982	McKean County	50,385	-0.7%	-0.2%
1983	McKean County	50,341	-0.1%	-0.2%
1984	McKean County	49,999	-0.7%	-0.3%
1985	McKean County	49,392	-1.2%	-0.5%
1986	McKean County	48,632	-1.5%	-0.7%
1987	McKean County	47,957	-1.4%	-0.8%
1988	McKean County	47,098	-1.8%	-0.9%
1989	McKean County	46,493	-1.3%	-0.9%
1990	McKean County	47,131	1.4%	-0.7%
1991	McKean County	47,352	0.5%	-0.6%
1992	McKean County	47,680	0.7%	-0.5%
1993	McKean County	47,435	-0.5%	-0.5%
1994	McKean County	47,538	0.2%	-0.4%
1995	McKean County	47,508	-0.1%	-0.4%
1996	McKean County	47,396	-0.2%	-0.4%
1997	McKean County	46,920	-1.0%	-0.4%
1998	McKean County	46,567	-0.8%	-0.4%
1999	McKean County	46,287	-0.6%	-0.5%
2000	McKean County	45,936	-0.8%	-0.5%
2001	McKean County	45,225	-1.5%	-0.5%
2002	McKean County	45,366	0.3%	-0.5%
2003	McKean County	44,833	-1.2%	-0.5%

Used to estimate population growth in McKean County.

Age	Population[2]	Pct
15 or younger	8,882	19.3%
16-24	5,638	12.3%
25-44	13,092	28.5%
45-64	10,661	23.2%
65+	7,663	16.7%
Total	45,936	

Notes:
(1) Source: U.S. Bureau of Census. Represents mid-year estimate with the exception of decade years which represent April 1.
(2) Source: U.S. Bureau of Census, 2000 Census

Exhibit 4
Bradford Regional Medical Center
Valuation Relating to the:
Arrangement with V&S Medical Associates, LLC
As of October 1, 2003

Imaging Needs Study per 1000 Population

	Ambulatory Setting 2001 [1]	Compound Annual Growth Rate (1998 - 2001) [1]	Estimated Needs (Medicare) 2003	Medicare Population Weight [2]
Medicare Enrollees				
Nuclear Medicine ("NM")	193	17.9%	268	20%
Computed Tomography ("CT")	247	11.7%	308	20%
Magnetic Resonance Imaging ("MRI")	94	16.6%	128	20%

	Ambulatory Setting 2000 [1]	Compound Annual Growth Rate (1998 - 2001) [1]	Estimated Needs (MC) 2003	Non-Medicare Population Weight [3]
Non-Medicare Enrollees				
NM	39	17.9%	54	80%
CT	56	11.7%	70	80%
MRI	41	16.6%	56	80%

Weighted Average Needs for all Enrollees 2003	
NM	97
CT	118
MRI	70

	Needs Analysis 2003	Hospital Fiscal 2002	V&S Fiscal 2002	Combined Hospital and V&S Fiscal 2002	Stroudwater Projection Year 1 (2004)	Selected Value Year 1 (2004)
Nuclear Medicine	97	52	50	102	111	102
CT Imaging	118	90	0	90	111	90
MRI Imaging	70	42	0	42	47	42

Notes:
(1) Based on data from Bhargavan and Sunshine's *Utilization of Radiology Services in the United States: Levels and Trends in Modalities, Regions, and Populations,* 2005.
(2) Based on Age 65+ demographic information for McKean County, PA (See Exhibit 3) plus an estimate for disabled population with Medicare coverage.
(3) Non-Medicare Population Weight = 1 - Medicare Population Weight

Exhibit 5
Bradford Regional Medical Center
Valuation Relating to the:
Arrangement with V&S Medical Associates, LLC
As of October 1, 2003

Needs Analysis

	Year 1 [1]	Year 2	Year 3	Year 4	Year 5
Bradford RMC Service Area (Population)	44,610	44,388	44,167	43,947	43,728
Yearly Growth - Population [2]	*-0.5%*	*-0.5%*	*-0.5%*	*-0.5%*	*-0.5%*
Population Based Imaging "Needs"					
NM Procedures per 1000 Population	102	102	102	102	102
Yearly Growth - Needs per 1000 Population		*0.0%*	*0.0%*	*0.0%*	*0.0%*
Bradford RMC NM "Needs"	4,550	4,528	4,505	4,483	4,460
CT Procedures per 1000 Population	90	90	90	90	90
Yearly Growth - Needs per 1000 Population		*0.0%*	*0.0%*	*0.0%*	*0.0%*
Bradford RMC CT "Needs"	4,015	3,995	3,975	3,955	3,936
MR Procedures per 1000 Population	42	42	42	42	42
Yearly Growth - Needs per 1000 Population		*0.0%*	*0.0%*	*0.0%*	*0.0%*
Bradford RMC MR "Needs"	1,874	1,864	1,855	1,846	1,837

Notes:
(1) See Exhibit 3 and Exhibit 4.
(2) Yearly Growth based on average population growth in McKean County from 1980 to 2003 as found in the U.S. Bureau of Census. See Exhibit 3.

Exhibit 6
Bradford Regional Medical Center
Valuation Relating to the:
Arrangement with V&S Medical Associates, LLC
As of October 1, 2003

Revenue Buildup

Payor	% of Total Charges [1]	Reimbursement as % of Medicare [2]
Managed Care and Commercial	39.0%	118.0%
Medicaid	16.0%	46.0%
Medicare	42.0%	100.0%
Private	3.0%	10.0%
Total		96.0%

CPT	Type	Case Mix [3]	Year 1 Volume [4]	Year 1 Reimb [5]	Year 1 Total Rev [6]	Year 2 Volume [4]	Year 2 Reimb [5]	Year 2 Total Rev [6]	Year 3 Volume [4]	Year 3 Reimb [5]	Year 3 Total Rev [6]	Year 4 Volume [4]	Year 4 Reimb [5]	Year 4 Total Rev [6]	Year 5 Volume [4]	Year 5 Reimb [5]	Year 5 Total Rev [6]
78010	Nuclear Med	1.0%	46	$186	$8,575	45	$191	$8,598	45	$196	$8,813	45	$201	$9,033	45	$206	$9,259
78223	Nuclear Med	2.0%	91	200	18,195	91	205	18,650	90	210	18,906	90	215	19,379	89	221	19,643
78305	Nuclear Med	2.0%	91	186	16,881	91	190	17,303	90	195	17,541	90	200	17,979	89	205	18,224
78306	Nuclear Med	7.5%	341	186	63,257	340	190	64,648	338	195	65,874	336	200	67,122	335	205	68,595
78315	Nuclear Med	2.0%	91	200	18,195	91	205	18,650	90	210	18,906	90	215	19,379	89	221	19,643
78320	Nuclear Med	1.0%	46	186	8,533	45	190	8,556	45	195	8,770	45	200	8,990	45	205	9,214
78465	Nuclear Med	27.5%	1,251	304	380,571	1,245	312	388,214	1,239	320	396,002	1,233	328	403,936	1,227	336	412,020
78473	Nuclear Med	1.0%	46	304	13,994	45	312	14,032	45	320	14,383	45	328	14,742	45	336	15,111
78478	Nuclear Med	27.5%	1,251	138	172,781	1,245	142	176,251	1,239	145	179,787	1,233	149	183,389	1,227	152	187,059
78480	Nuclear Med	27.5%	1,251	138	172,781	1,245	142	176,251	1,239	145	179,787	1,233	149	183,389	1,227	152	187,059
78805	Nuclear Med	1.0%	46	200	9,198	45	205	9,223	45	210	9,453	45	215	9,690	45	221	9,932
Total Nuclear Medicine [7]			4,550		882,961	4,528		900,377	4,505		918,222	4,483		937,028	4,460		955,759
93015	Stress Test	26.0%	1,183	$75	$88,632	1,177	$77	$90,387	1,171	$79	$92,175	1,166	$81	$94,076	1,160	$83	$95,932
Total Stress Test			1,183		88,632	1,177		90,387	1,171		92,175	1,166		94,076	1,160		95,932
With Contrast	CT	55.0%	2,208	$210	$463,431	2,197	$215	$472,650	2,186	$221	$482,041	2,175	$226	$491,606	2,165	$232	$501,579
Without Contrast	CT	35.0%	1,405	160	225,130	1,398	164	229,608	1,391	168	234,170	1,384	173	238,816	1,378	177	243,725
With and Without Contrast	CT	10.0%	402	250	100,522	400	256	102,522	398	263	104,560	396	269	106,635	394	276	108,749
Total CT [7]			4,015		789,082	3,995		804,781	3,975		820,771	3,955		837,057	3,938		854,054
With Contrast	MRI	5.0%	94	$337	$31,694	93	$346	$32,141	93	$354	$32,944	92	$363	$33,405	92	$372	$34,240
Without Contrast	MRI	75.0%	1,406	307	432,165	1,398	315	440,449	1,391	323	449,200	1,385	331	458,443	1,378	339	467,530
With and Without Contrast	MRI	20.0%	375	431	161,471	373	441	164,625	371	452	167,836	369	464	171,104	367	475	174,431
Total MRI [7]			1,874		625,330	1,864		637,214	1,855		649,979	1,846		662,952	1,837		676,200
Total Revenue					$2,386,005			$2,432,759			$2,481,147			$2,531,113			$2,581,944

Notes:
(1) Data provided by Management.
(2) Based on data provided by Management
(3) Case mixes based on data provided by Management and V&S Medical Associates.
(4) Volume is based on Case Mix and Total Projected Procedures (see Exhibit 5). The sum of the volume may not equal the Total Projected Procedures due to rounding. Stress Test Volume is shown as a percentage of nuclear medicine procedures reflecting data provided by Management and V&S.
(5) Reimbursement is based on the 2003 Medicare Allowable and BRMC's estimated Reimbursement as a % if Medicare, adusted for inflation (2.5%). Associated meds are included in reimbursement.
(6) Total Revenue = Volume x Reimbursement
(7) See Exhibit 5

Exhibit 7
Bradford Regional Medical Center
Valuation Relating to the:
Arrangement with V&S Medical Associates, LLC
As of October 1, 2003

Expense Analysis

	NM Projections		NM Selected	CT Projections	MRI Projections
	V&S	Stroudwater	Expense Ratios [1]	Stroudwater [2]	Stroudwater [2]
Total Revenue	$ 586,440	$ 1,192,841		$ 1,425,000	$ 1,245,300
Operating Expenses					
Salaries & Benefits	60,000	141,000		122,979	116,064
Purchased Labor	108,000	235,000		290,000	172,200
Camera	83,076	83,076		-	-
Service Agreement	-	-		99,000	92,000
Rent & Electricity	32,400	40,500		32,400	32,400
Other Operating Costs	-	40,000		-	-
Purchased Services	1,500	3,288		-	-
Other Expense (CA Giamuso)	5,280	11,574		-	-
Marketing	-	-		5,000	5,000
Indirect Expenses	-	92,000		69,150	63,746
Total Fixed Expenses	290,256	646,438		618,529	481,410
Fixed as a % of Revenue	*49.5%*	*54.2%*	*51.8%*	*43.4%*	*38.7%*
Med/Surg Supplies	19,200	43,200		20,000	-
Drugs	-	-		50,000	-
Other Supplies	-	-		-	10,500
Film and Contrast	-	-		65,000	73,500
Cardiolite and other drugs	96,000	235,000		-	-
Total Variable Expenses	115,200	278,200		135,000	84,000
Variable as a % of Revenue	*19.6%*	*23.3%*	*21.5%*	*9.5%*	*6.7%*
Total Operating Expeses	405,456	924,638		753,529	565,410
Total as a % of Revenue	*69.1%*	*77.5%*	*73.3%*	*52.9%*	*45.4%*

Notes:
(1) Nuclear Medicine selected expense ratios represents an average of the V&S and Stroudwater projection data.
(2) Excludes interest and depreciation expense.

Exhibit 8
Bradford Regional Medical Center
Valuation Relating to the:
Arrangement with V&S Medical Associates, LLC
As of October 1, 2003

Discounted Cash Flow Model (All Modalities) - With Non-Compete

	Note		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 [5]
Net Revenue - NM			$882,961	$900,377	$918,222	$937,028	$955,759	$979,652
Net Revenue - Stress Tests			88,632	90,387	92,175	94,076	95,932	98,330
Net Revenue - CT			789,082	804,781	820,771	837,057	854,054	875,405
Net Revenue - MRI			625,330	637,214	649,979	662,952	676,200	693,105
Total Net Revenue			**2,386,005**	**2,432,759**	**2,481,147**	**2,531,113**	**2,581,944**	**2,646,492**
Less: Operating Expenses								
Variable Expense - NM			208,729	212,848	217,066	221,514	225,937	231,585
As a percentage of Revenue			*21.5%*	*21.5%*	*21.5%*	*21.5%*	*21.5%*	*21.5%*
Variable Expense - CT			74,755	76,242	77,757	79,300	80,910	82,933
As a percentage of Revenue			*9.5%*	*9.5%*	*9.5%*	*9.5%*	*9.5%*	*9.5%*
Variable Expense - MRI			42,181	42,982	43,843	44,719	45,612	46,752
As a percentage of Revenue			*6.7%*	*6.7%*	*6.7%*	*6.7%*	*6.7%*	*6.7%*
Fixed Expense	(1)		1,087,958	1,120,596	1,154,214	1,188,841	1,224,506	1,261,241
EBITDA			**972,382**	**980,090**	**988,266**	**996,739**	**1,004,979**	**1,023,981**
EBITDA Margin			*40.8%*	*40.3%*	*39.8%*	*39.4%*	*38.9%*	*38.7%*
Less: Depreciation & Amortization	(2)		381,071	657,347	489,676	389,073	416,510	334,199
EBIT			**591,311**	**322,743**	**498,590**	**607,666**	**588,468**	**689,782**
Less: Provision for Taxes		41.5%	245,394	133,938	206,915	252,181	244,214	286,259
Net Income			**345,917**	**188,804**	**291,675**	**355,485**	**344,254**	**403,522**
Cash Flow Adjustments								
Plus: Depreciation & Amortization			381,071	657,347	489,676	389,073	416,510	334,199
Less: Capital Expenditures	(3)		238,169	238,169	238,169	238,169	238,169	238,169
Less: Changes in Working Capital	(4)	10.0%	-	1,742	1,785	1,881	1,873	2,389
Debt Free Cash Flow With			**$488,819**	**$606,241**	**$541,397**	**$504,508**	**$520,722**	**$497,163**

Notes:
(1) Fixed Expenses for Year 1 are calculated using revenue and fixed expense as a percentage of revenue selected in Exhibit 7. Subsequent years are adjusted for inflation (3%) only, volume effects are exclude
(2) Depreciation & Amortization are based on the present value of sublease payments less the maintenance portion of the payment multiplied by 2 to account for the nuclear camera owned by the hospita as well as the subleased nuclear camera. Additionally, depreciation for 1 CT machine and 1 MRI machine is included. MACRS 5-Year life used
(3) 7-Year straight line depreciation of the 2 nuclear cameras, 1 CT machine, and 1 MRI machine used to estimate capital expenditures
(4) See Exhibit 1.
(5) V&S ramp-up period assumed to be one year, thus no lost revenue projected in year 6. Revenue and expense adjusted for inflation (2.5% and 3.0% respectively.

Exhibit 9
Bradford Regional Medical Center
Valuation Relating to the:
Arrangement with V&S Medical Associates, LLC
As of October 1, 2003

Discounted Cash Flow Model (All Modalities) - Without Non-Compete

			Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 [6]
Nuclear Med Revenue			$882,981	$900,377	$918,222	$937,028	$955,759	$979,652
Stress Test Revenue			88,632	90,387	92,175	94,076	95,932	98,330
CT Revenue			789,082	804,781	820,771	837,057	854,054	875,405
MRI Revenue			625,330	637,214	649,979	662,952	676,200	693,105
Total Revenue			2,386,005	2,432,759	2,481,147	2,531,113	2,581,944	2,646,492
Lost NM Revenue due to Competition			441,480	450,188	459,111	468,514	477,879	489,826
As a percentage of Revenue			50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
Lost ST Revenue due to Competition			44,316	45,194	46,087	47,038	47,986	49,165
As a percentage of Revenue			50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
Lost CT Revenue due to Competition	(1)		394,541	402,390	410,385	418,529	427,027	437,702
As a percentage of Revenue			50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
Lost MRI Revenue due to Competition	(2)		312,665	318,607	324,990	331,476	338,100	346,553
As a percentage of Revenue			50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
Total Lost Revenue due to Competition			1,193,002	1,216,379	1,240,573	1,265,556	1,290,972	1,323,246
Revenue without Non-Compete			1,193,002	1,216,379	1,240,573	1,265,556	1,290,972	1,323,246
Less: Operating Expenses								
Variable Expense - NM			94,844	96,715	98,632	100,652	102,664	105,230
As a percentage of Revenue			21.5%	21.5%	21.5%	21.5%	21.5%	21.5%
Variable Expense - CT			37,378	38,121	38,879	39,650	40,455	41,467
As a percentage of Revenue			9.5%	9.5%	9.5%	9.5%	9.5%	9.5%
Variable Expense - MRI			21,090	21,491	21,922	22,359	22,806	23,376
As a percentage of Revenue			6.7%	6.7%	6.7%	6.7%	6.7%	6.7%
Fixed Expense			1,087,958	1,120,596	1,154,214	1,188,841	1,224,506	1,261,241
EBITDA			(48,267)	(60,544)	(73,073)	(85,945)	(99,459)	(108,068)
			-4.0%	-5.0%	-5.9%	-6.8%	-7.7%	-8.2%
Less: Depreciation & Amortization			381,071	657,347	489,676	389,073	416,510	334,199
EBIT			(429,338)	(717,891)	(562,749)	(475,019)	(515,969)	(442,267)
Less: Provision for Taxes		41.5%	(178,175)	(297,925)	(233,541)	(197,133)	(214,127)	(183,541)
Net Income			(251,163)	(419,967)	(329,208)	(277,886)	(301,842)	(258,726)
Cash Flow Adjustments								
Plus: Depreciation & Amortization			381,071	657,347	489,676	389,073	416,510	334,199
Less: Capital Expenditures			238,169	238,169	238,169	238,169	238,169	238,169
Less: Changes in Working Capital		10.0%	-	2,338	2,419	2,498	2,542	3,227
Debt Free Cash Flow Without			(108,261)	(3,126)	(80,121)	(129,480)	(126,043)	(165,924)
Debt Free Cash Flow With			488,819	606,241	541,397	504,508	520,722	497,163
Debt Free Cash Flow Without			(108,261)	(3,126)	(80,121)	(129,480)	(126,043)	(165,924)
Difference			597,080	609,367	621,518	633,988	646,765	663,086
Periods Discounted	(3)		0.5	1.5	2.5	3.5	4.5	5.5
Discount Factor	(4)	14.0%	0.9366	0.8216	0.7207	0.6322	0.5545	0.4864
Present Value of Cash Flow			$559,216	$500,635	$447,911	$400,788	$358,653	$322,547
Sum of Present Value of Cash Flow		$2,589,751						
Probability of Competition	(4)	100.0%						
Preliminary Value of Non-Compete		2,589,751						
Plus: Amortization Benefit	(5)	574,034						
Fair Value of Non-Compete		$3,163,785						

Notes:
(1) CT Machine assumed to be purchased by V&S at the beginning of year 1.
(2) MRI Machine assumed to be purchased by V&S at the beginning of year 1.
(3) Mid-year discounting assumed
(4) See Exhibit 1.
(5) Amortization benefit based on 15-year tax life.
(6) Revenues and expenses adjusted for inflation (2.5% and 3.0% respectively) in years 6.

Exhibit 10
Bradford Regional Medical Center
Valuation Relating to the:
Arrangement with V&S Medical Associates, LLC
As of October 1, 2003

Present Value of Non-compete Contracted Payments

Payment	$23,655	Per Month
Periods	60	Months
Discount Rate	14.0%	
PV Annuity Factor	42.9770	
Value of Lease Payments	**$1,016,621**	

Exhibit 11
Bradford Regional Medical Center
Valuation Relating to the:
Arrangement with V&S Medical Associates, LLC
As of October 1, 2003

Date	Acquirer	Target Practice	Location	Price	Revenue	EBITDA	Price to Revenue	Price to EBITDA
7/2/01	JWCH Merger Corp.	InSight Health Services Corp.	28 states	$257,400	$210,400	N/A	1.2x	N/A
1/9/01	Card Guard Technologies, Inc.	Quality Diagnostic Services, Inc.	GA	18,000	16,500	N/A	1.1x	N/A
6/5/00	InSight Health Services Corp.	Wilkes-Barre Imaging Center	PA	17,400	7,785	$3,718	2.2x	4.7x
3/13/98	InSight Health Services Corp.	Signal Medical Services	East Coast	35,700	20,700	N/A	1.7x	N/A
7/1/97	InSight Health Services Corp.	Chattanooga Outpatient Center	TN	10,900	4,670	2,209	2.3x	4.9x
1/20/97	U.S. Diagnostics, Inc.	Medical Diagnostics, Inc.	MA	22,000	21,400	N/A	1.0x	N/A
1/15/97	InSight Health Services Corp.	Mobile Imaging Consortium	ME, NH	7,650	7,450	N/A	1.0x	N/A
11/13/96	Diagnostic Heath Services, Inc.	Advanced Clinical Technology	NM	17,500	12,390	N/A	1.4x	N/A
				Third Quartile			**1.9x**	**4.9x**
				Second Quartile (Median)			**1.3x**	**4.8x**
				Mean			**1.5x**	**4.8x**
				First Quartile			**1.1x**	**4.7x**

Sources: Irving Levin Associates, Inc. and Mergerstat
Note: Transaction financial information (price, revenue and EBITDA) in thousands
N/A: information not available

JAH - July 2, 2008

In re: **USA, et al., vs. BRMC, et al.

**James H. Jordon

Sworn to and subscribed before me this

6 day of August, 2008.

CANDACE LYNETTE RICE
Notary Public, State of Texas
My Commission Expires
February 19, 2010

NOTARY PUBLIC

My commission expires: 02/19/2010.